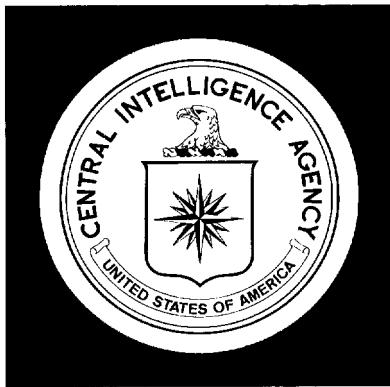


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DIRECTORATE OF  
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SOUTH VIETNAM: Military action continues in Quang Tri Province and in the central highlands, but the territorial gains on both sides have been negligible.

Continued poor weather, as well as increased enemy resistance, still hobbles the government drive to move north from Quang Tri City to the Cua Viet River. There is increasing evidence that the North Vietnamese forces in this sector have been strengthened since their heavy losses last summer. One captured soldier claims that he was part of a 600-man replacement group for the North Vietnamese 48th Regiment.

In the western highlands, the combat performance of some South Vietnamese troops has improved in recent weeks. However, enemy forces are still managing to check most of the limited government efforts to expand control over terrain north of the provincial capital of Kontum and southwest of Pleiku.

Where the situation permits, the Communists appear largely content with economy-of-force tactics in an effort to demonstrate continued military strength and presence. This probably was the purpose of the well-staged rocketing of Saigon's airport early yesterday. Although the results were marginal from a military point of view, the Communists succeeded in generating extensive world press coverage of their exploit. The enemy has the capability to stage such attacks in the future near Saigon and in some other areas.

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ARGENTINA: The Peronists and the government continue to organize for the March elections but appear no closer to an agreement on a single presidential candidate.

Complying with the requirement that coalitions be registered with the electoral board before 11 December, the Peronists have announced the formation of a "Justicialista Front." The front includes several small parties that have been identified with the Peronists' electoral strategy in recent months. Juan Peron remains the front's presidential candidate, but there are indications that the Peronists have now accepted the government's decision that the old dictator cannot run. They will maintain his candidacy as long as possible, however, in an effort to hold the divided party together for the elections.

The military has leaked to the press that it is also trying to organize a front--a "third force" to oppose the Peronists and the Radicals in the March elections. The military reportedly hopes to form a coalition of provincial parties that will be led by an active duty officer. Speculation on the military candidate is currently focused on Air Force General Ezequiel Martinez, who has been a close adviser to President Lanusse.

This move appears primarily designed to pressure Peron into meaningful negotiations. A military-led coalition seems destined to fail, particularly since it is aimed at the same political groups being courted by the popular former cabinet minister Francisco Manrique in his bid for the presidency. The deadline for naming presidential candidates is 21 December, and the formation of a coalition will provide for military participation in the election if Peron and Lanusse fail to agree on a candidate.

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**AUSTRIA - EAST GERMANY:** Austrian recognition of Pankow will probably be announced shortly.

A three-man East German delegation led by Deputy Foreign Minister Ernst Scholz arrived in Vienna on 5 December to negotiate the establishment of diplomatic relations. The talks should be brief since there are few outstanding bilateral issues to be resolved, and the announcement of recognition could be made before Christmas.

The positions the Austrians take concerning East German sovereignty and the political status of Berlin will assume greater significance than those of many other countries. Both Austria and East Germany were part of the Third Reich and were placed under Allied administrative control after the war. Although the occupation of Austria ended in 1955 when the victors signed the Austrian State Treaty, Vienna--like Bonn and Pankow--still has obligations to the Four Powers.

Vienna would like to argue that the act of recognition has no effect on the special situation in Berlin, and has requested a statement from the three Western Allies concerning their continuing legal rights in Greater Berlin. The Austrians believe that such a statement would bolster their own argument and be further useful when the question of East German authority over East Berlin for consular matters arises in the negotiations. Pankow will presumably resist any formula that would qualify its authority in East Berlin. Although Vienna expects no response until the NATO ministerial meeting concludes tomorrow, it is pressing for an authoritative statement on Quadrilateral rights in the very near future.

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UN - MIDDLE EAST: The General Assembly is likely to pass, today or tomorrow, a tough anti-Israeli resolution that will further harden the positions of both sides in the Middle East conflict. One of the most troublesome parts of the Egyptian-inspired resolution--tabled Tuesday by a group of nonaligned states--invites UN members to avoid giving Israel assistance that would help it to maintain its occupation of Arab territories. Even though West European delegations may have succeeded in having the language softened somewhat, the provision is sure to raise the hackles of the Israelis. Israel reiterated yesterday that if the resolution passes with provisions implying sanctions, it will withdraw its support from the Security Council resolution that has been the basis of UN peace-seeking efforts since 1967. The US has been making it clear in private to the West Europeans that the pending General Assembly resolution is not acceptable because its language carries the "suggestion" of sanctions against Israel.

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AFGHANISTAN: In the next few days, the King is expected to name a successor--probably Foreign Minister Shafiq--to Prime Minister Zahir. Zahir tried to resign in late September, but the King did not accept his resignation until 5 December. The King did, however, apparently transfer some of Zahir's responsibilities to Shafiq. A new prime minister may initially fare better than Zahir in his last six months in office when he was under strong criticism in Parliament and had difficulty accomplishing anything. In the long run, however, the lack of a clear grant of authority from the King, combined with infighting in Parliament, will limit the effectiveness of any Afghan prime minister.

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MOROCCO: Labor agitation has forced King Hassan to call up riot control units in the largest deployment of security forces since the attempted coup last August. Troops have been stationed at the port of Casablanca where striking workers have caused a major work slowdown. Principal secondary schools are also being guarded to prevent students from joining a teachers' boycott. Although the deployment is precautionary, the regime clearly wants to prevent an explosive situation that might require calling in regular army units, whose reliability still is suspect. Opposition parties, which are closely allied with organized labor, failed to win their political demands in the recent round of consultations with the palace, and they may feel that labor agitation now is their only option. The country's largest union, the Union of Moroccan Workers (UMT), has considerable muscle, and it could create serious problems for the regime in the coming months.

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AUSTRALIA: A severe wheat shortage may prevent Australia from fulfilling its 1973 export contracts with domestically produced wheat. Exceptionally dry conditions over most of the wheat belt have resulted in widespread crop failures. The Australia Wheat Board, which handles exports, estimates that it will receive only one half the quantity it had anticipated. Moreover, the past two years of record exports and relatively poor crops have resulted in a drawdown of carry-over stocks. The board, which has major contracts with China, the USSR, and Egypt, is apparently looking to foreign wheat producers, including Canada, as alternative sources to help fulfill its export commitments.

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